



*Report of the*  
**Defense Science Board**  
**Task Force on**

# **Improvements to Services Contracting**

**March 2011**

Office of the Under Secretary of Defense  
For Acquisition, Technology, and Logistics  
Washington, D.C. 20301-3140

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This report is unclassified and cleared for public release.



**OFFICE OF THE SECRETARY OF DEFENSE**  
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**DEFENSE SCIENCE  
BOARD**

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS**

**SUBJECT:** Report of the Defense Science Board Task Force on Improvements to Services Contracting

I am pleased to forward the final report of the Defense Science Board Task Force on Improvements to Services Contracting. The report offers important considerations for the Department of Defense for acquisition of services.

Purchasing services presents a significant opportunity to the Department of Defense as it represents over 50 percent of the Department's acquisition budget. Moreover, in many cases services contracting is an operational necessity, such as in contingency operations. The challenge is to obtain the advantages such as lower costs, access to needed expertise, and the ability to surge or fade manpower while lowering risk and increasing performance over time.

The task force findings include many issues related to the complexity, span, and scope of services contracting – not just in the range of dollars involved, but also in types of activities contracted for. A better understanding of these issues is needed and the right data about them needs to be tracked to conduct relevant trend and performance analysis. The report also makes useful recommendations in specific areas, such as the definition of inherently governmental functions and services contracting in support of contingency operations. The report suggests many helpful actions to address these issues in the areas of policies and procedures, leadership, and training, but no “one-size-fits-all” solutions exist.

I endorse all of the study's recommendations and strongly encourage you to adopt them into your operations.

*Paul G. Kaminski*

Dr. Paul G. Kaminski  
Chairman





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DEFENSE SCIENCE  
BOARD

March 29, 2011

MEMORANDUM TO THE CHAIRMAN, DEFENSE SCIENCE BOARD

SUBJECT: Final Report of the Defense Science Board Task Force on Improvements to Services Contracting

The final report of the Defense Science Board Task Force on Improvements to Services Contracting is attached. The task force conducted an independent assessment of improvements in the procurement and oversight of services by the Department of Defense (DOD).

The task force identified five Key Findings in their assessment.

- Contracts for services support major DOD programs and their associated administrative, technological, and logistics services and are a strategic component of all military operations. DOD services contracting in 2010 added up to more than \$200 billion—over 50 percent of the total DOD acquisition budget.
- Buying services is fundamentally different than buying weapons systems, yet most current acquisition regulations, laws, policies, processes, standards, training, education, and management structures are focused on optimizing the characteristics of products. Only a small fraction of these focus on the way services are acquired.
- The workforce is inadequately prepared to acquire and execute services contracts. Specific guidance, training, and experience are needed.
- The DOD urgently needs to establish a meaningful taxonomy for services in order to develop useful definitions, performance standards, and outcome measures for each type of service. It is important to note that “one size does not fit all” and that different types of services will need different policies and guidance than others—buying engineering design services is vastly different than buying base maintenance services.
- New and more detailed guidance is needed that clarifies the inherently governmental functions that should always be performed by government personnel. This is needed to eliminate the confusion over work that is “critical” or “closely associated” with inherently governmental activities, much of which can be done better and more efficiently through contracting in support of inherently governmental work.
- Services contracting to support contingency operations is a special case needing fast response. A number of specific actions are needed to facilitate acquisition in these time-critical situations.

The task force next identified a number of Recommended Actions that would address the situation:

- Create new policies and processes for services contracting. These should address tracking and management, guidance on contract structures, and the integration of commercial business practices into DOD processes.
- Designate roles and responsibilities for appropriate leadership and organizations for services contracting. Almost all senior leaders need training in this area. Further, senior-level focal points are needed in each service to ensure the new policies and processes are implemented and improved.
- Strengthen the skills and capabilities of people involved in services contracting. The task force urgently recommends shifting acquisition training from products only to a balance of products and services.
- Establish separate policies and processes to improve management and oversight of contingency contracting. Recommended actions in this area include creating a single playbook for all relevant information needed at the start of a contingency operation and including the acquisition and participation of services contractors in realistic exercises and training.

Perhaps most importantly, the task force encourages the DOD at all levels to recognize that “one size does not fit all,” and that an over-emphasis on compliance at the expense of creativity will not result in effective, efficient, or timely services contracting.

The task force feels that action is urgently needed to address all of these recommendations given the size and critical nature of services contracting to the achievement of DOD missions.



Jacques S. Gansler  
Chairman

## Table of Contents

Executive Summary .....	vii
Chapter 1. New Policies and Processes .....	1
Chapter 2. Leadership and Organizational Roles and Responsibilities.....	19
Chapter 3. Personnel Skills and Capabilities.....	23
Chapter 4. Services During Contingency Operations .....	27
Chapter 5. Final Thoughts .....	31
Appendix A. Congressional Oversight of Services Contracting.....	33
Appendix B. Regulations on Inherently Governmental Functions .....	35
Appendix C. DOD Portfolio Analysis Strategy.....	39
Appendix D. Acquisition of Information Technology Services.....	44
Terms of Reference .....	47
Task Force Membership .....	51
Presentations to the Task Force.....	53
Glossary.....	55



## Executive Summary

Contracts for services are essential to all aspects of military operations. Contracted services to support Department of Defense (DOD) missions range from routine base operating support to highly skilled analysis to direct support to battlefield operations. Contracts for services supporting major DOD programs and their associated administrative, technological, and logistics services are a strategic component of the expanding expeditionary military, stability, and reconstruction operations. The reduction in the number of uniformed personnel in the 1990s, and today's demanding combat missions have resulted in the expansion of services contracting to more than \$200 billion—over 50 percent of the DOD acquisition budget. Today, almost every defense task that is not an inherently governmental function is carried out in some part through contracted services.

Buying services is fundamentally different than buying weapons systems. Effective utilization of services relies on people—optimizing individual skills, work environments, communication, and many other factors. Yet most current acquisition regulations, laws, policies, processes, standards, training, education, and management structures are focused on optimizing the characteristics of products. The task force made a number of recommendations to remedy this imbalance.

In order to improve the management of services contracts, the Department urgently needs to track and understand which services are purchased, how they are utilized, and who performs them. This will require the Department to establish a meaningful taxonomy for services, and then to develop useful definitions, performance standards, and outcome measures for each type of service. It is important to note that “one size does not fit all” and that some types of services will need different policies and guidance than others. Services for analysis, construction, information technology, and physical security services have many similarities—and even more differences. Of current importance, performance standards and outcome metrics change when these same services are provided during an expeditionary operation.

Improving the taxonomy, definitions, and standards is needed for both peacetime and contingency periods. A reliable structure will provide a better basis to reward positive and relevant past performance and to select contractors for their best value to the government. This is much preferred to using criteria stating “technically acceptable, low bid” when evaluating proposals and awarding contracts.

An important part of the task force's work was to consider what services should be competitively contracted out, versus what services should be performed organically within the Department. To facilitate this, new and more detailed guidance is needed that clarifies the inherently governmental functions that should always be performed by government personnel.

A specific need is to eliminate the confusion over work that is "critical" or "closely associated" with inherently governmental activities. Guidance must explicitly categorize these functions as either inherently governmental or non-inherently governmental. For non-inherently governmental activities that are currently being done by government personnel, each DOD military department or defense agency should use competition to determine whether government or contractor personnel should perform them.<sup>1</sup> In evaluating costs for comparable work, all costs to the federal government must be considered, both short- and long-term, and both direct and indirect.

## Major Recommendations

The task force proposes a new approach to services with four interrelated, critical recommendations for the Secretary of Defense:

**RECOMMENDATION 1: CREATE NEW POLICIES AND PROCESSES FOR SERVICES CONTRACTING.**

Initially this should include a meaningful taxonomy that guides definitions, performance standards, and outcome metrics for services contracts. Clear direction is also needed on contract structures to reduce risk and meaningful incentives for high performance at low cost. The task force also encourages a new look at integrating proven commercial business practices and communication strategies into defense acquisitions, both before a solicitation and during contract execution.

**RECOMMENDATION 2: DESIGNATE ROLES AND RESPONSIBILITIES FOR APPROPRIATE LEADERSHIP AND ORGANIZATIONS FOR SERVICES CONTRACTING.**

Senior leadership currently gives little attention to services, and almost all senior officers need training in this area. New roles and responsibilities recommended include a senior-level focal point for services in the Office of the Secretary of Defense, and strategic sourcing of services executives in each military department.

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1. Office of Management and Budget. *Performance of Commercial Activities*, Circular No. A-76, revised May 29, 2003. (Link accessed March 2011.)

Strategic sourcing offices or category councils should also be formed to provide a shared forum for the users and acquirers of services.

**RECOMMENDATION 3: STRENGTHEN THE SKILLS AND CAPABILITIES OF PEOPLE INVOLVED IN SERVICES CONTRACTING.**

Workforce issues hamper performance in all phases of services contracting. Systematic improvements in training are needed for all personnel involved in services contracting. To jump-start this, the task force recommends actively recruiting experts in services acquisition from outside of government contracting to the Department. To ensure these improvements continue, changes are needed to ensure that services acquisition experience is career-enhancing for both civilian and military personnel.

**RECOMMENDATION 4: ESTABLISH SEPARATE POLICIES AND PROCESSES TO IMPROVE MANAGEMENT AND OVERSIGHT OF CONTINGENCY CONTRACTING.**

Today, over half of the total contingent in Iraq and Afghanistan are contractors providing services, illustrating the critical need for services contracting to support contingency operations. A number of actions are recommended to facilitate acquisition in these situations. First, a single playbook should be issued that contains all relevant acquisition information for use in time-critical situations. Delegation of limited contracting authority is also needed during contingency operations to enable organizations to move quickly in response to a threat. Realistic services contracts and acquisition must be part of any training or exercises to prepare for contingency operations. Finally, to make all this possible, it is important that contingency contracts are tracked as a separate element in the procurement tracking system.

## A Path Forward

Major change is needed to enable DOD to acquire and use services far more effectively and efficiently. Much of the required actions can be done by the Secretary of Defense under current authorities and the commercial nature of many services is consistent with Federal Acquisition Regulations, Part 12. However, legislation would be extremely valuable to demonstrate congressional support for the new services acquisition system.

The task force acknowledges the National Defense Authorization Act for the Fiscal Year 2011. The relevant passages are included in [Appendix A](#), stating the intent to drive a rational process in the DOD to identify, assess, review, and validate

requirements for the acquisition of services.<sup>2</sup> The task force encourages the Department in the implementation of this Act to recognize that “one size does not fit all,” and that an over-emphasis on compliance at the expense of creativity will not result in effective, efficient, or timely services contracting.

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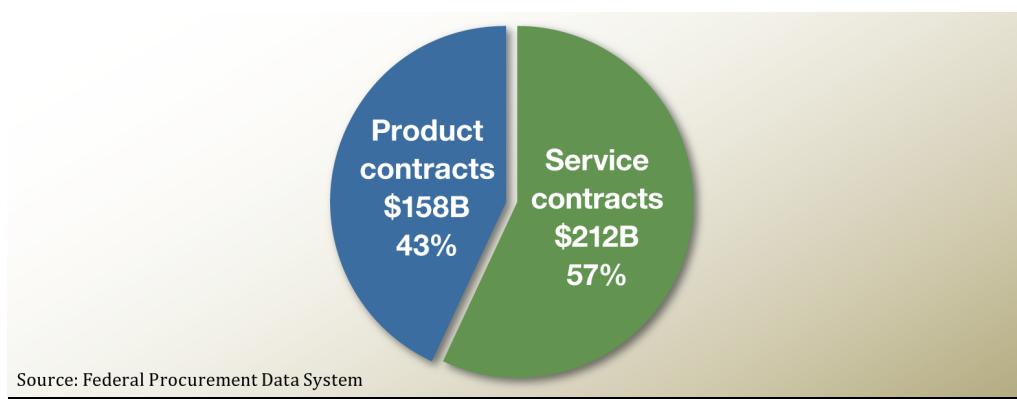
2. [Ike Skelton National Defense Authorization Act for Fiscal Year 2011](#), Public Law 111-383. (Link accessed March 2011.)

# Chapter 1. New Policies and Processes

Contracted services in the Department of Defense (DOD) support a variety of mission requirements, ranging from routine services for facilities and equipment to highly skilled analysis and direct support to battlefield operations. Contracts for services support major programs and their associated administrative, technology, and logistics functions; and are a strategic component of the expanding expeditionary military, stability, and reconstruction operations. Almost every defense function that is not inherently governmental<sup>3</sup> is carried out in part by contracted services, including support for congressional directives.<sup>4</sup>

Contracting for services has long been essential to the military mission. As is shown in Figure 1, the acquisition of defense services accounted for approximately 57 percent of the 2009 defense acquisition budget.

A number of issues, however, influence the DOD's ability to provide services in an efficient and effective manner. These include setting definitions and standards for services, making decisions to retain organic capacity or contract for services, and setting effective processes and policies to guide services contracting. To address these issues, the task force recommends that the Secretary of Defense create a new, simplified, and streamlined process to govern the range of services contracted. Several recommended actions are proposed to implement this change.



**Figure 1: Breakdown of Defense Acquisition Budget (FY2009)**

3. Policy guidance for inherently governmental functions can be found in [Appendix B](#).

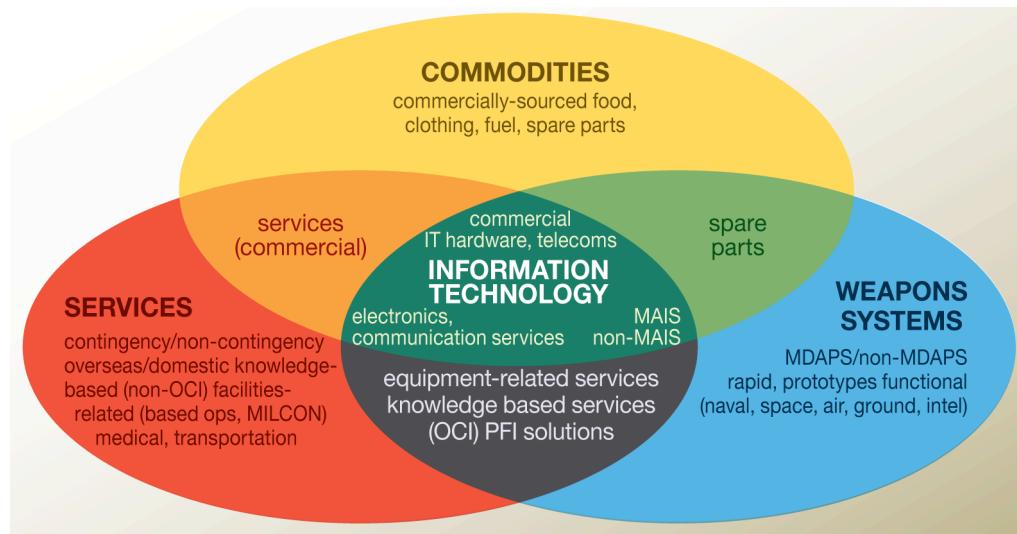
4. Including this Defense Science Board Task Force.

## Processes to Improve Understanding of Defense Services Contracting

Some services fit easily into simple categories, but many do not. There are many instances where the lines between goods and services are blurred. An example is information technology (IT) services, which may be providing and supporting commercial hardware for government information processing and telecommunications, but also may entail operating the equipment and providing resulting information. IT services may also support major information systems acquisitions, for example, by carrying out systems engineering, establishing initial standards, performing third-party testing, analyzing security vulnerabilities, and so on.

Equipment maintenance is another area with many facets, ranging from upgrading equipment to supplying spare parts as needed, and can extend to public-private partnerships, such as privately financed initiatives. Finally, research and development (R&D) efforts cover the full spectrum from providing hardware to providing services.

While all contracted services can benefit from best practices, some, such as physical security services or facilities maintenance, are easier to define and standardize. Construction and product development are more complex; while these are typically contracted as a service, the deliverable is usually a product. This means two very similar outcomes—a building, a study, or a component—may have been procured and tracked through very different paths. A notional illustration of the complexities and overlaps among the categories of defense contracting is shown in Figure 2.



**Figure 2: Complexities and Overlaps among Defense Contracts**

## **Taxonomy for Services**

The Department of Defense buys services ranging from highly classified, knowledge-based tasks to mundane grass cutting, and everything in between. Since 2007, these have been tracked in the Federal Procurement Data System (FPDS). FPDS is a large and unwieldy database that is used across the federal government. While DOD procurements represent the largest funding sector in the database, FPDS was not designed nor is it optimized for DOD's use.

A current breakdown of major services codes used in FPDS is shown in Table 1. These are rolled up from more than 1,350 subcategories, ranging from *AA16-Management Support of Agriculture Insect and Disease Control R&D* to *Z300-Restoration-Maintenance, Repair, Alterations*. The ability to tag each contract with a 4-digit code is useful for tracking simple contracts, but may also be limiting. As in many databases, the FPDS user manual states that "if more than one code applies, report the code that represents the predominance of the dollars obligated or de-obligated for the contract/action."<sup>5</sup> This is clearly not useful for large and complex services contracts, such as logistics support for expeditionary operations. While an entire contract may be tagged *R706-Logistics Support Services* or *R414-Systems Engineering Services*, it will contain many major tasks that are more appropriately categorized by other 4-digit codes. The ability to apply the appropriate, different codes to tasks within large contracts is a needed change to FPDS that would benefit not only DOD, but all federal agencies.

To facilitate analysis, the DOD uses a different top-level taxonomy than the FPDS alphabetical categories shown in Table 1. The Office of Defense Procurement and Acquisition Policy (DPAP) groups more than 1,300 codes into 39 portfolios, as shown in Table 2 and also presented in [Appendix C](#).

Examination of the data presents a number of concerns. First, any service code ending in "9" is an "Other" category. For example, the largest category of all services is *R499-Other Professional Services*. It is unlikely that the services included here did not fit into any of the dozens of categories available for classification under professional services; rather, it is likely that each contract included multiple categories of services and "Other" was the most appropriate choice. Further examples highlight related issues; all *S206-Guard Services* are accounted under "Housekeeping & Social Services" (while many guard services are not facilities-

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5. Federal Procurement Data System. [FPDS-NG User Manual](#). (Link accessed February 2011.)

related), and *D313-Computer-Aided Design and Manufacturing Services* are accounted under the “Telcom” portfolio.

Currently, DPAP rolls up these 39 portfolios into eight “portfolio groups.” Figure 3 shows the total funded spending in FY 2009 for each portfolio group.

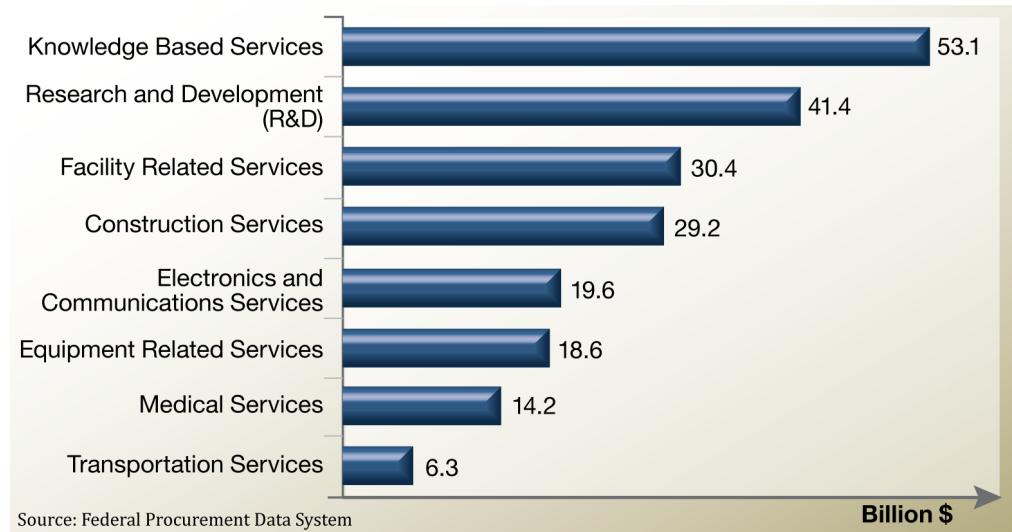
**Table 1. DOD Services Funding**

Major Service Code	Description in the FPDS	DOD FY2010 (billions)
R	Professional, Administrative and Management Support Services	\$47.6
A	Research and Development	42.3
Y	Construction of Structures and Facilities	24.8
J	Maintenance, Repair, and Rebuilding of Equipment	16.6
D	Automatic Data Processing and Telecommunication Services	13.1
Q	Medical Services	12.7
Z	Maintenance, Repair or Alteration of Real Property	10.6
S	Utilities and Housekeeping Services	7.9
V	Transportation, Travel and Relocation Services	6.9
C	Architect and Engineering Services - Construction	3.8
F	Natural Resources Management	2.7
M	Operation of Government-Owned Facility	2.2
U	Education and Training Services	2.2
B	Special Studies and Analyses - Not R&D	2.1
L	Technical Representative Services	1.7
K	Modification of Equipment	1.1
W	Lease or Rental of Equipment	0.8
N	Installation Equipment	0.8
H	Quality Control, Testing and Inspection Services	0.7
X	Lease or Rental of Facilities	0.3
T	Photographic, Mapping, Printing, and Publication Services	0.2
G	Social Services	0.1
P	Salvage Services	0.1
E	Purchase of Structures and Facilities	0.1

**Table 2. Funded Amounts for Largest Categories of DOD Services**

Service Code	FPDS Category (1,350+)	Defense Procurement & Acquisition Policy (DPAP) Portfolio (39)	DPAP Portfolio Group (8)	DOD FY2009 (B\$)
R499	Other Professional Services	Program Management Services	Knowledge Based Services	\$20.7
R421	Technical Assistance	Engineering Management Services	Knowledge Based Services	20.4
R425	Engineering and Technical Services	Engineering Management Services	Knowledge Based Services	15.4
D399	Other ADP and Telecommunications Services (data storage on tapes, disks)	Telecommunications Services	Electronics and Communication Services	14.5
R799	Other Management Support Services	Program Management Services	Knowledge Based Services	14.5
M152	Operation of Government-Owned Facilities (Maintenance Buildings)	Operation of Government-Owned Facilities	Facility Related Services	12.7
Q201	General Health Care Services	General Medical Services	Medical Services	11.3
M181	Operation of Government-Owned Contractor-Operated R&D Facilities	Operation of Government-Owned Facilities	Facility Related Services	10.5
R706	Logistics Support Services	Logistics Management Services	Knowledge Based Services	9.3
R408	Program Management/Support Services	Program Management Services	Knowledge Based Services	8.0
S206	Guard Services	Housekeeping and Social Services	Facility Related Services	7.9
R414	Systems Engineering Services	Engineering Management Services	Knowledge Based Services	6.9
C219	Other Architect and Engineering Services	Architect/Engineering Services	Facility Related Services	5.7
D302	ADP Systems Development Services	ADP Services	Electronics and Communication Services	4.7
D313	Computer Aided Design/Computer Aided Manufacturing (CAD/CAM) Services	Telecommunications Services	Electronics and Communication Services	4.5
J058	Maintenance, Repair and Rebuilding of Equipment (Communication, Detection)	Equipment Maintenance	Electronics and Communication Services	4.0
X111	Lease or Rental of Facilities (Office Buildings)	Purchases and Leases	Facility Related Services	3.8
D307	Automated Information System Design and Integration Services	Telecommunications Services	Electronics and Communication Services	3.8
M294	Operation of Government-Owned Facilities (Waste Treatment and Storage Facilities)	Operation of Government-Owned Facilities	Facility Related Services	3.5
C118	Architecture/Eng (R&D Facilities)	Architect/Engineering Services	Facility Related Services	3.5

Note: The number of total categories is shown in parentheses under each column heading.



**Figure 3. DOD Spending on Services Contracts (FY 2009)**

Given the concerns over data quality, these eight “portfolio groups” used by the DOD to track services are particularly troubling. While these groupings may make semantic sense, they are not appropriate to determine guidance and policy. The “knowledge-based services” portfolio group, as an example, inappropriately combines routine education and training contracts with expeditionary logistics management contracts. This portfolio group is overly vague and cannot provide meaningful analysis of performance insights. Similarly, contracts for utilities are compared with those for architectural and engineering services in the “facilities related” portfolio group. It is clear that these very different services should not be assigned the same definitions, performance standards, outcome measures, or best practices; nor should they be held to similar standards for contract structures or spending parameters. One size does not fit all.

Neither the current taxonomy used in the FPDS nor the portfolio groups used by the Defense Procurement and Acquisition Policy in the Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) are sufficient to guide policy for the entire array of DOD services contracts. Neither sufficiently discriminates among activities performed in widely variable risk situations. Rolling up activities likely to be critical in contingency operations with routine activities inside multiple portfolio categories decreases rather than improves visibility.

**RECOMMENDATION 1: CREATE NEW, SIMPLIFIED, AND STREAMLINED PROCESSES FOR THE RANGE OF SERVICES CONTRACTED.****RECOMMENDED ACTION 1-1**

**USD (AT&L) establish a meaningful taxonomy to track services contracting.**

This taxonomy should not force comparisons of contracts with low versus high risk, with easily defined versus complex outcomes, with routine performance standards versus multifaceted missions. The task force believes that analysis according to categories is not sufficient; and rolling these up into larger groups merely compounds the limitations presented by the FPDS system in prohibiting multiple task labels within a single contract. Definitions, contracting standards, performance standards, and outcome measures must be assigned with an understanding of each contract's purpose and should not be based on flawed database entries.

## Definitions and Standards

Across defense acquisition, the task force found that buying services is fundamentally different than buying weapons systems. Buying products tends to be a sequential process that progresses from setting requirements through milestones to delivery of a product. Many of the steps required for large product acquisitions—design reviews, developmental test and evaluation, materials development, and so on—do not apply to services acquisition.

Contracting for services is a more continuous process. While the acquisition process ends when a product is delivered, acquisition of services continues throughout the contract period. For many services, continuity is critical and it is not possible to “stop work” at contracting transitions.

The historical predominance of product acquisition regulations, however, means that current acquisition laws, rules, policies, procedures, practices, and even training and education, are overwhelmingly focused on the sequential steps for buying products. Many of these existing constraints affect efficient and effective services contracting. The task force notes that these existing constraints, developed and refined for large hardware systems, also dictate acquisition of the goods and services for IT, R&D, and urgent operational needs—all of which are more effectively addressed by approaches outside the traditional processes defined under DOD Instruction 5000.02. For these and other reasons, Congress has recently

required a comprehensive assessment of the Department's policies and guidance for services contracting.<sup>6</sup>

### ***Specific Concerns for Knowledge-based Services Contracting***

A number of concerns specifically affect companies providing knowledge-based services to the government. Knowledge-based services include R&D, analysis, and other professional services. Some of these require very high security clearances and specialized knowledge, such as intelligence analysis or translation.

Defense contracting is attractive to many knowledge-based enterprises; defense contracts can help a private-sector firm to maintain corporate technical capability and provide support for internal R&D when market size or market timing is unclear. However, many firms that are interested in performing knowledge-based services for the DOD find the processes overly complicated by acquisition law and guidance.

Rules governing conflicts of interest can prevent defense services providers from balancing their workload with similar non-government business. Because these rules extend to the avoidance of the appearance of organizational or personal conflicts of interest, this can prevent many defense services providers from doing any work outside the defense sector. Many government requirements often push service providers to separate commercial and government work, preventing beneficial synergies or workload balancing.

Many firms also have concerns over intellectual property and data rights, export controls, or limitations on international partnering. These barriers decrease the Department's access to potentially transformational services and decrease competition among qualified services firms.

### ***Specific Concerns for IT Services Contracting***

Current DOD acquisition processes for IT systems are incompatible with globally competitive, commercial IT development. Attempts to speed this process through spiral development or technology refreshers have generally been defeated

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6. This assessment is called for in [FY2011 National Defense Authorization Act](#), Section 864, which calls for a review of DOD acquisition guidance in Department of Defense Instruction 5000.02, and also in Section 865, which calls for a review of the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement, to ensure that such regulations include appropriate guidance for and references to services acquisition. (Link accessed March 2011.)

by the weight of the defense acquisition and budgeting processes. When the pace of technology change was slower, and when defense systems dominated the market, DOD was able to acquire top IT services. Today, DOD buyers need to understand that they are not a priority buyer in any IT services market.

One reason for this is that DOD buys systems rather than modular components; yet modular is how IT components are sold globally today, utilizing new concepts such as apps, open architectures, standard interfaces, and model-based architectures—and many times, these are marketed as services rather than goods. Buying IT services requires portfolio-specific experience and understanding of commercial IT services markets and processes. Specific recommendations in this area are included in [Appendix D](#).

#### RECOMMENDED ACTION 1-2

**USD (AT&L) establish and monitor definitions, performance standards, and outcome measures for each portfolio of services in the taxonomy.**

- Carry out adequate analysis up front, including reaching out to service providers, to provide a definition for each type of service to allow efficient tracking and communication.
- Develop contracting standards based on an understanding of the purpose and constraints on each contract. These may include the type of contract, spending plan, level of competition required, and so on.
- Develop quality, productivity, and performance standards for each type of service. These may include quality, quantity, timeliness, continuity, and other factors measured as the contract is executed.
- Describe outcome measures that can be aligned with specific contract actions. Both performance-based and cost-based outcome measures are needed to achieve desired behavior from both federal employees and contractor personnel. These measures should not focus on how the service is provided, but rather on the effectiveness of the final product of each task in meeting requirements.

Services vary widely and require a wide variety of standards. Similar service tasks can be—and routinely are—labeled differently, combined into contracts differently, and managed differently. There is also a wide variation in cost and performance for similar tasks; costs differ within installations, across geographic regions, among agencies, and between government and commercial contracts. Only with better

descriptions and tracking can we begin to understand best practices and gain system-wide improved effectiveness and efficiencies.

With adequate standards established, the service provider's past performance can be appropriately assessed and weighted. Current evaluation of past performance is uneven and difficult to reward, making it a less effective incentive. Methods are problematic; on one hand, past performance assessments don't typically take continuous improvement into account, and on the other hand, these same assessments can disadvantage a new firm with a better approach.

A major goal of improving how services contracts are awarded is to establish that past, positive, and relevant performance, along with best value, are preferred to using only "technically acceptable, low bid" as selection criteria.

Strategic sourcing would be helped tremendously by a single portal to provide visibility into all existing DOD services contracts. If implemented as part of the FPDS, this portal could access data on services contracts in each portfolio performed for all federal agencies. Access to information on contracts for services awarded by state or local governments near defense installations would also be very useful. An excellent start on such an approach carried out by a single agency is the database of contracts maintained by the Army Corps of Engineers.

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## **Decisions to Contract for Services or Retain Organic Capacity**

The task force addressed an additional question from Secretary Gates, posed at the quarterly meeting of the Defense Science Board on February 25, 2010, asking *what services should be contracted-out versus performed in-house?*

### ***Non-inherently Governmental Activities***

A key factor in the decision to contract for services is whether or not the activity is inherently governmental. Therefore, up-to-date guidance to define inherently governmental functions is a particular need in light of the growth in services contracting.

While inherently governmental functions should always be carried out by government personnel, non-inherently government functions are best competed, either among contractors or between government and the private sector. If non-

inherently governmental activities are directly sourced to government personnel without competition, the Department loses performance and cost benefits.

### RECOMMENDED ACTION 1-3

**USD (AT&L) identify all activities performed in support of defense missions as either inherently governmental or non-inherently governmental.**

USD (AT&L) should work with the Office of the Under Secretary of Defense for Personnel and Readiness to develop and propagate clear definitions to everyone involved in services contracting. Inherently governmental activities should always be performed by government personnel. Non-inherently governmental activities may be performed by either government or contractor personnel. Work that is “critical” or “closely associated” with inherently governmental activities must be categorized as either inherently governmental or non-inherently governmental. If functions are classified with imprecise labels, cautious contracting officials will require them to be performed by government employees. In many cases, this will limit the potential benefits of competition.

### ***Benefits of Services Contracting to DOD***

One of the many advantages the Department of Defense gains through services contracting is the ability to tailor efforts more easily to available budgets. Contracting allows fast surge or fade to follow operational needs or funding availability—for both highly-skilled experts and physical labor. Contracting for services is especially valuable when specific expertise is needed for a rapid response to an unexpected adversary capability, and the ability to reach new experts quickly can be the difference between success and failure.

Contracting also provides access to expertise developed outside of government contracting. By engaging the services of companies that work in both commercial and government sectors, personnel can apply successful business practices, technologies, and skills to benefit the government. However, this will only happen if the current barriers to such integration can be removed.

Perhaps most importantly, performance improvements are well-documented when work is competed, whether it is among services contractors or between public and private providers. A number of studies have looked at the cost of contracting

services compared to using federal employees. A specific example is the Devonport Royal Dockyard.<sup>7</sup> The United Kingdom Royal Navy's only nuclear capable shipyard was converted from a government-owned, government-operated to a government-owned, contractor-operated facility in 1996. After three years of private ownership, the workforce was cut from 6,300 to 3,500 with essentially the same throughput and workload. Private ownership introduced modern cost accounting systems, and savings were also realized by avoiding gold plating, knowing the true cost of extra work, and improved resource allocation decisions. The shipyard also accepts commercial contracts for at least 25 percent of the total workload.

For expeditionary logistics support, when considering all costs over a 20-year period, private sector competitive procurement was projected to be roughly 90 percent less costly than using federal workers.<sup>8</sup> In a detailed analysis for a one-year period in the Iraq theatre beginning in June 2004, the costs of a private sector security contractor were comparable to the Army's costs.<sup>9</sup> In a separate one-year analysis, the use of private contractors was shown to be over 90 percent less expensive than using State Department employees.<sup>10</sup> These studies further observed that an expeditionary private security contract can be terminated during peacetime operations, whereas Army personnel would remain in the force structure and incur many long-tail costs, such as health care and pensions.

#### RECOMMENDED ACTION 1-4

**USD (AT&L) require competition for those non-inherently governmental activities being performed non-competitively by government personnel to determine if government or contractor personnel should perform them. In evaluating the best value to the government, all costs, both short- and long-term, and both direct and indirect, should be considered.**

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7. Carla A Tighe, Carol S Moore, Alan J Marcus, Julian Silk, and Robert Trost. 1997. [A Privatization Primer: Issues and Evidence](#). p. 31. (Link accessed March 2011.)
8. Congressional Budget Office. 2005. [Logistics Support for Deployed Military Forces](#). p. 36. (Link accessed March 2011.)
9. Congressional Budget Office. 2008. [Contractors' Support of U.S. Operations in Iraq](#). p. 17. (Link accessed March 2011.)
10. Government Accountability Office. 2010. [Warfighter Support: A Cost Comparison of Using State Department Employees versus Contractors for Security Services in Iraq](#). GAO-10-266R. (Link accessed March 2011.)

## Processes for Services Contracting

Good intentions to improve competition and lower costs for services contracts have led to a number of unintended, adverse consequences. Services contracts have changed dramatically in a number of ways since many laws and policies were established. As an example, the size of contracts has grown considerably: \$10 million contracts for services are routine, and \$100 million contracts are not out of the ordinary. Approximately 66 percent of services were procured using indefinite delivery/indefinite quantity (IDIQ) contracts in 2010, something that was never contemplated when IDIQs were first proposed.

Many well-intentioned policies to fix acquisition processes have had unintended consequences. It is therefore imperative that each organization carry out periodic reviews for any process to measure effectiveness and efficiency to ensure continued value of implementation.

### ***Appropriate Incentives***

The task force observed a number of poorly designed incentives that drive contractor performance. While competition is a strong driver for high performance at low cost, it is not the only incentive needed.

For example, required frequent re-competition threatens to prevent high-performing incumbents from implementing continuous improvement programs. When firms contract for services in the commercial sector, contracts tend to be written for longer periods because increased performance with improved efficiency is expected over time and is written into contracting agreements. When contracts are competed often, incentives to existing contractors for high performance at lower cost don't exist—and costs remain high.

Similarly, efforts to compete every contract to the fullest extent have discouraged unsolicited proposals, because any innovative idea submitted are frequently put up for competitive bid.

The ease of protesting an award can provide an undesired incentive. While protests by losing bidders have always been part of services contracting, automatic rather than substantive protest actions are occurring in many cases and have led to

a 15-year high for protest filings at the Government Accountability Office (GAO).<sup>11</sup> Recent rule changes for task-order contracts may push them even higher.

Protests may be lodged as a standard business practice to provide a second chance to win or to delay an award—and can do so for many months. In the worst-case scenario, entire procurements may be cancelled in anticipation of a lengthy protest process. Selection officials often strive to avoid protests by choosing the proposal with the lowest price, but this is at the cost of best value to the government.<sup>12</sup> A preferred alternative would be to initiate a penalty for unjustified protests.

#### RECOMMENDED ACTION 1-5

**USD (AT&L) provide meaningful incentives to services contractors for high performance at low cost.**

- Reward services contractors that achieve higher performance at lower costs with a significant award, incentive fee, or sole-source follow-on. However, when performance is low or costs rise, the option of competition must be available and utilized; and the Department must document such past performance information to ensure accountability and repercussions for future source selections.
- Focus source selection evaluations on performance outcomes and total price rather than profit or fee determination. Two service providers may both provide best value to the government with widely varying profit and fee percentages.
- Establish clauses that share savings between the government and the contractor to provide incentives for continuous improvements in performance and cost of services provided.
- Reward contractors for extremely innovative, high-value unsolicited proposals with a sole-source initial award.
- Work with Congress to impose penalties that will discourage unjustified protests.

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11. Robert Brodsky, [Bidders Bite Back](#), *Government Executive*, February 1, 2011. (Link accessed March 2011.)

12. Government Accountability Office. 2010. [Defense Contracting: Enhanced Training Could Strengthen DoD's Best Value Tradeoff Decisions](#). GAO-11-8. (Link accessed March 2011.)

## ***Integrating Commercial Business Practices***

DOD acquisition laws and regulations strongly encourage commercial sourcing, and most services that the Department buys are also available in the commercial market. Further, many commercial services companies are motivated to work for DOD because of the desire to support our troops and to diversify their markets and their customer base.

However, many practices greatly deter both large and small commercial firms from providing services to DOD. These disincentives begin with the inflexible government contracting processes that employ non-standard cost accounting, profit and overhead policies, documentation, dispute resolution, and so on. Further disincentives—including poorly written requirements, export control restrictions, data rights requirements—extend to practices such as delayed billing on change orders that can bankrupt small companies.

Improved communication can address many of these issues. Service providers have expressed a general frustration in dealing with government contracting personnel with little industry experience. For example, some contracting personnel have no sense of urgency to help the contractor maintain employee continuity. As a result of these factors, less than 20 percent of services (excluding R&D and construction) are sourced using commercial practices.

Because contractors will tend to put their best people on better-understood commercial contracts, poor provider relationships deprive the government of the best private sector skills. Companies with the highest success in the commercial marketplace are less likely to suffer the frustrations of government contracting.

Attempts to improve competition have had the effect of restricting pre-solicitation discussions. This practice is driven partially by policy and partially by a culture of risk-avoidance.<sup>13</sup> The result has been a decrease in the government's ability to understand how a service will be provided and an impaired determination of the best way to match the government's need to the contractor's capabilities. In the commercial sector, this kind of market research is a best practice.

The task force concludes that the defense services supplier base could be expanded through improved communication between the government and industry. Detailed

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13. Daniel I. Gordon. 2011. "[Myth-busting": Addressing misconceptions to improve communication with industry during the acquisition process](#). (Link accessed March 2011.)

recommendations on this topic are available in the 2009 Defense Business Board study detailing an outreach plan to improve communications between the DOD and the defense industrial base.<sup>14</sup>

#### **RECOMMENDED ACTION 1-6**

**The DOD General Counsel explore ways to maximize appropriate communication between government and the services contracting industry.**

Communication is critical both before the solicitation, and also during contract execution in order to help the government conduct effective market research and improve understanding of the services industry. Communication must be two-way and one-on-one; bidders' conferences are not enough. The General Counsel should find ways to provide greater visibility and common avenues for dialog among customers as well as among service suppliers. Improved communication between the government and contractor firms will reduce barriers that prevent wider competition.

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### ***Contract Structures***

Contract structures are a particular concern. Procurement officials have endeavored to lower costs by requiring the use of firm-fixed-price contracts for services. For very well-understood and predictable services, firm-fixed-price contracts may be a wise strategy. However, because this strategy shifts risk from the government to the contractor, it has resulted in higher overall bids. This approach has been unsuccessful when the requirements are unknown or the scope requires frequent change, as is the case for most contingency operations or for services with high intellectual content.

The task force noted a proliferation in the use of IDIQ contracts in recent years. The intent for the IDIQ structure was to create a two-step process to provide for an indefinite quantity of supplies or services during a fixed period of time. The first step is to identify a few of the most highly-qualified firms to address the scope, and the second step is to speedily bid tasks among the few pre-qualified firms.

Today, many IDIQs are ultra-large, have several hundred qualified firms, and individual task orders over \$100 million, defeating their initial purpose. For

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14. Defense Business Board. 2009. [\*Task Group on an Outreach Plan to Improve Communications between the Department of Defense and the Defense Industrial Base\*](#). Report DBB-FY09-7. (Link accessed March 2011.)

example, SeaPort-e, the Navy's platform for acquiring support services in 22 functional areas, including engineering, financial management, and program management, has over 1,800 qualified suppliers. The Army's R2-3G contract has 18 separate functional areas and is valued at over \$16 billion. In these large IDIQs, competition for individual task orders can be as costly and time-consuming as for large, distinct procurements. Moreover, some of these IDIQ contracts require every contractor to bid on every task order. These costs disproportionately disadvantage small and mid-sized firms. Further, beginning in 2010, individual task orders of more than \$10 million can be protested at GAO—and this practice is on the increase.

No evidence was presented to show that IDIQs produce better results for the Department. Because IDIQ contracts have evolved so greatly from their original intent, any advantages have almost disappeared.

The task force concluded that the use of the appropriate contract type, commensurate with risk, is needed to incentivize contractor performance. It is especially important to recognize that "one size does not fit all."

#### RECOMMENDED ACTION 1-7

**USD (AT&L) provide clear guidance for defense acquisition personnel in the use of appropriate contract structures for the type of service.**

- Use firm-fixed-price contracts when requirements are well-established, stable, and the technical risk is low; however, use cost-plus-fixed-fee or cost-plus-incentive-fee contracts in other cases. This will likely apply to any knowledge-based services contract.
- Provide a two-step process for services with indefinite delivery and indefinite quantity; first, no more than five well-qualified providers are selected for a narrowly-scoped requirement area; then, for each task order, the user of the service rapidly competes and selects a qualified provider or providers.
- For well-defined performance-based services, use service level agreements (SLAs) that allow suppliers flexibility to meet desired outcomes at an acceptable risk, and update these by evaluating program experience over time. SLAs are typically used for Internet services, and have recently been applied to satellite imagery as part of the EnhancedView contract for the National Geospatial Office and to observational drone time-on-station for the Special Operations Command.

- Expand use of other transactions authority to attract high quality commercial services contractors.<sup>15</sup> A recent example of this was the Chemical, Biological, and Radiological Technology Alliance, which allowed non-traditional defense contractors to apply their knowledge to an urgent technology need. Other transactions authority allowed flexibility in intellectual property guidance and freedom from government-unique requirements, such as hourly timecard reporting and other defense accounting rules that would normally preclude participation of many private sector companies.
  - Modernize the Defense Federal Acquisition Regulation Supplement (DFARS) Part 12 to reflect the intent of the original statute, 10 U.S. Code §2377. Per the simplicity of the early guidance, changes should minimize mandatory clauses, permit flexibility in contract structure, and institutionalize market research requirements.
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15. For DOD, “other transactions” is a term commonly used to refer to the §10 U.S.C. 2371 authority to enter into transactions other than contracts, grants, or cooperative agreements.

## Chapter 2. Leadership and Organizational Roles and Responsibilities

While gathering information in support of the charge, the task force found little strategic attention is paid to managing either large or small services contracts. A starting point in understanding how the Department acquires services is to recognize the decentralized nature of the process. For the most part, services are acquired by the command level that utilizes the service at the local level. Senior leaders have limited insight and seldom participate in vetting requirements that translate to service contracts.

Across the Department, there is little visibility into, and guidance for, who, what, and how the DOD buys services. As a result, there is overwhelming pressure to simply execute operations and maintenance funds to the maximum amount allotted with little regard for the efficiencies that could be realized through a more centralized approach.

Another significant finding is that, for the most part, service contracts do not enjoy the benefits of having a dedicated contract manager. As a result, contracting officers and contracting officer's representatives often act as the de facto contract manager. While this solution may work for routine and well-defined services, for more complex service agreements, it often requires contracting officers to fulfill conflicting roles and shortchanges the mission.

The lack of leadership in this area has a number of consequences. Across the acquisition workforce, rote compliance is rewarded and, therefore, creativity is stifled. Contracting personnel find it difficult to take risks without an understanding of, or value given to, achieving performance standards and outcome measures.

A salient example is the use of cost-based contracts for services with fixed-fee or incentive-fee. In many cases where the requirements are unknown or changeable, these offer lower cost and lower risk to the government when compared to fixed-priced contracts. However, many acquisition personnel and some policies maintain the outdated view that fixed-price contracts make sense even for services that require a flexible or knowledge-based approach.

It is critical for leaders across the DOD to understand the policies and guidance governing services contracting; and to provide acquisition professionals

with the support to make the decisions in the best interest of DOD in acquiring and executing services.

**RECOMMENDATION 2: DESIGNATE ROLES AND RESPONSIBILITIES FOR APPROPRIATE LEADERSHIP AND ORGANIZATIONS FOR SERVICES CONTRACTING.**

**RECOMMENDED ACTION 2-1**

Each military department train all general officers on services contracting, with a focus on requirements specifications and management oversight of contracts for services.

**RECOMMENDED ACTION 2-2**

USD (AT&L) create a senior-level focal point for services, equivalent to the Assistant Secretary of Defense (Research and Engineering) and the Deputy Under Secretary of Defense (Logistics).

Responsibilities include coordination of services acquired across the Department to include training, strategic sourcing, category councils, and dotted-line relationship to the services acquisition executives in each military department or agency.

**RECOMMENDED ACTION 2-3**

Each military department strongly support a general/flag officer or member of the Senior Executive Service as the strategic sourcing of services executive.

This position should report (solid-line) to the Service Acquisition Executive, and report (dotted-line) to a focal point for services appointed under the USD (AT&L). These positions are currently held by the following individuals:

- Major General Wendy Masiello has been the Air Force Program Executive Officer for Combat and Mission Support since 2007. She leads the acquisition of Air Force services and is responsible for more than \$184 billion in existing and planned contracts across the Air Force. She oversees acquisition planning, the competitive selection process, and execution of performance-based acquisition, and she ensures proper management controls are in place throughout performance of contracted services.

- Mr. James C. Sutton is the Deputy Assistant Secretary of the Army for Services. This position was established in November 2010 and is responsible for policy, planning, execution, and management of services provided to the Army, a \$50 billion annual effort.
  - Mr. Bruce Sharp is the Navy's Director for Services Acquisition. In this role, established in December 2010, he addresses oversight requirements, identifies outcomes and metrics, recommends required authorities, and develops documentation. Mr. Sharp is also the Director, Program Analysis and Business Transformation, Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management).
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#### RECOMMENDED ACTION 2-4

**Each military department establish portfolio-specific strategic sourcing offices (SSOs) and category councils (CCs) for services to strengthen the connection between the acquisition community and users of services.** Some of the duties of the SSOs/CCs are provided here:

- Bring together leaders and individual members with portfolio expertise and operational experience with the services being acquired throughout all phases of the acquisition and lifecycle of services contracts. Interactions will give buyers needed experience, technical expertise, and authority to make the best business decision to acquire the required services—with a focus on mission outcomes rather than process compliance.
- Contribute to best practices, performance standards, and definitions for each portfolio category of services contracts.
- Facilitate a strategic approach by aggregating requirements at the highest level, and then consolidating requirements, setting common performance standards, engaging the global marketplace, and buying common services using common contract language where possible.
- Determine and assign the appropriate level of program management for the size of the services contract.
- Manage services costs for the enterprise by vetting requirements, curbing disconnected spending, and setting and managing cost improvement targets with service providers.

An excellent example of this approach is the Services and Infrastructure Enterprise Contract Management Program (SIECMP) at the Army's Installation Management

Command (IMCOM). Their quarterly reviews are a successful example of ways to monitor contract execution and encourage improved coordination. Annual execution reviews for Air Force combat and mission support are also commended for improving execution and coordination, and ensuring effectiveness of policies for services contracting.

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## Chapter 3. Personnel Skills and Capabilities

The task force also observed an overall lack of appropriate training, education, and experience for all people involved. Few strong program managers exist in the Department with experience in portfolio-specific services and industries. Workforce issues hamper performance in all phases of services contracting today. This is evidenced in a number of ways.

Fundamentally, the entire defense workforce lacks knowledge and experience in services contracting, auditing, and oversight. This experience is lacking both generally, and also in specific categories of services contracting. For example, knowledge of contracting for research is useful but not sufficient to understand contracting for facilities maintenance. While personnel are being hired, there remain too few experienced people who have successfully executed contracts for services. Further, there is no documented body of knowledge to help them succeed while they gain experience.

A large contributing factor to this lack of knowledge and experience is that functional personnel currently managing services programs are not considered members of the DOD acquisition workforce. They are not typically provided acquisition training under Defense Acquisition Workforce Improvement Act (DAWIA) requirements, and current training and education programs for acquisition do not address services contracting. Some fledgling efforts exist, including the Services Center of Excellence at the Defense Acquisition University. However, only two faculty (out of 390) serve in the center and it does not currently document case studies or best practices on services contracting. Recalling that 57 percent of defense acquisition funding is for services today—and this percentage is growing—this effort seems woefully inadequate.

Finally, the task force found that aspects of services contracting—writing requirements, establishing acceptance criteria, managing deliverables, evaluating performance, and others—are often much more complex than contracting for equipment, and success in these aspects is even more dependent on experience. At the same time, services contracting experience is not adequately included in staffing, career planning, promotions, and education. Incentives and culture currently drive good people to large systems acquisition programs to aid in career advancement. In too many cases, aspiring officers avoid acquisition assignments altogether.

The Department should systematically improve training for personnel involved in services acquisition and oversight. Because the responsibility for services contracting is shared by both acquisition personnel and command personnel, individual training for all military and civilian personnel must address how contracting delivers services.

To be effective, all these programs must be implemented with a large increase in personnel with non-government-related services experience in the acquisition of services. For example, training programs should hire successful retirees from outside the government contracting sector to develop case studies and teach best practices.

**RECOMMENDATION 3: STRENGTHEN THE SKILLS AND CAPABILITIES OF PEOPLE INVOLVED IN SERVICES CONTRACTING.**

**RECOMMENDED ACTION 3-1**

**USD (AT&L) establish more formal certification requirements for services acquisition personnel.**

Tailored training should be provided to all contracting officer's representatives (CORs) and contracting officer's technical representatives (COTRs) who support the acquisition of services. These requirements should encompass education, training, and experience.<sup>16</sup>

All CORs and COTRs involved in services acquisition should have experience relevant to one or more portfolios of services. The task force realizes that experts are made and not born, and participation on Category Councils, sharing of best practices, and services-focused training are all necessary tools for both the novice and experienced CORs and COTRs.

**RECOMMENDED ACTION 3-2**

**USD (AT&L) work to establish training programs for services acquisition throughout the DOD's professional military education infrastructure.**

Training should be a requirement for all combat-support and combat service-support career fields. It is especially important that commanders receive this training prior to

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16. Standards have been proposed in a USD (AT&L) memorandum, [\*DoD Standard for Certification of Contracting Officer's Representatives \(COR\) for Services Acquisitions\*](#). March 29, 2010. (Link accessed March 2011.)

joining the command ranks. Military departments should also consider extending contracting certification selection to enlisted personnel. Training can and should occur at the service colleges, the National Defense University, the Federal Acquisition Institute, and the Defense Acquisition University.

The task force also acknowledges that acquisition of services is sufficiently diverse that a single training track—as now exists for hardware weapon systems acquisitions—is not appropriate. Separate tracks are needed in specific portfolios of services. Centers of Excellence can lead in developing portfolio-specific training and education for category experts and acquisition professionals. Where no Centers of Excellence exist, each military department’s functional subject matter experts should be encouraged to partner with defense acquisition schools to establish them.

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#### RECOMMENDED ACTION 3-3

**USD (AT&L), military departments, and defense agencies reallocate training dollars to bring services acquisition training and education into balance with systems acquisition training to ensure needed training occurs.**

Effective training programs need case studies specific to buying and managing services. Today, of 100 case studies at the Defense Acquisition University, none focus on services contracting. Shared documentation on definitions, performance standards, outcome metrics, and best contracting practices are also needed for each portfolio of services.

This reallocation should benefit both the acquisition personnel who buy services and the functional command personnel who use services.

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#### RECOMMENDED ACTION 3-4

**Each military department and defense agency actively recruit individuals with expertise in commercial acquisition of services.**

Recruiting from industry can be facilitated using legislation governing highly qualified experts for tours in government. As with any interaction between industry and government, it is important to avoid conflicts of interest.

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**RECOMMENDED ACTION 3-5**

**Each military department and defense agency ensure promotion potential for military and government civilians involved in services contracting.** This must be done with support from USD (AT&L) and the Under Secretary of Defense for Personnel and Readiness.

Serving in services acquisition should enhance an officer's career. Formal career planning will be necessary to accomplish this goal, including relevant rotations to industry. Currently, only the Air Force has a career path for non-commissioned officers in contracting; all military departments should follow this example. Experience leading organizations that use services contracts effectively will be especially useful for career advancement.

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## Chapter 4. Services During Contingency Operations

The Department of Defense has been involved in several contingency operations over the past decade. These activities have taken place both overseas and in the continental United States, and have involved armed conflicts; stability, security, transition, and reconstruction (SSTR) actions; terrorist attacks; and natural disasters. All of these are dynamic and unpredictable situations where speed, agility, and responsiveness have proven more valuable than consistency and conformity.

Actions during a contingency operation require a 72-hour response time, or faster. Routine oversight and standards are not appropriate for such fast-paced, fluid circumstances. The Department of Defense has also learned the necessity for experience; inexperienced personnel operate in these environments only with great difficulty.

Given these conditions, the current standards and definitions for contingency services are often problematic. The task force found that the standards, definitions, and rules for contingency operations vary between military departments. For services contracting, the rules are set according to the jurisdiction of the contracting office, rather than the nature of the contingency services or the location where the services are provided. In any case, rules driven toward weapons acquisition efficiency leave little flexibility to rapidly respond to unexpected situations in services contracting.

Initial steps have been taken to address contingency contracting and oversight. Activities of the Special Inspector General for Iraq Reconstruction (SIGIR) are realistic and responsive, as are the U.S. Army Expeditionary Contracting Command (ECC) and the Defense Contingency Contracting Handbook. While these are promising steps, overall efforts to remedy contingency contracting in the Federal Acquisition Regulations, Part 18 on Emergency Acquisitions, have not adequately enabled efficient and effective services contracting to support ongoing contingency operations.

**RECOMMENDATION 4: ESTABLISH SEPARATE POLICIES AND PROCESSES TO IMPROVE MANAGEMENT AND OVERSIGHT OF CONTINGENCY CONTRACTING.**

**RECOMMENDED ACTION 4-1**

**USD (AT&L) establish a single playbook for contingency services contracting that is applicable to all contracts supporting contingency operations.**

- Replace current DFARS Part 218 with an “It’s All Right Here” playbook modeled on the Central Command’s Contracting Center Acquisition Instruction (C<sup>3</sup>AI).

The C<sup>3</sup>AI organizing principle is “include everything a commanding officer (CO) needs, exclude policies and procedures they don’t,” so there is no need to look up a cross-reference. In this case, the instruction should incorporate current *Available Acquisition Flexibilities* (Subpart 218.1) and *Emergency Acquisition Flexibilities* (Subpart 218.2) within a new Part 218 structure. The instruction may also include FAR Part 18 to create a true “It’s All Right Here” document.

- Direct the military departments and defense agencies to establish procedures to identify contract actions in support of contingency operations and ensure that they are conducted under Part 218.

These actions are intended to have the effect of establishing the same policy framework for Theater Support Contracting, External Support Contracting, and Systems Support Contracting.

- Make maximum use of available resources to develop and implement this process, including the Joint Contingency Acquisition Support Office in the Defense Logistics Agency.

**RECOMMENDED ACTION 4-2**

**USD (AT&L) instruct the Federal Data Procurement System to include a separate tracking element for each expeditionary operation.** These may be included along with the National Interest Action element that tracks procurement actions supporting domestic contingency operations, such as national disasters and large events.

While some information can be drawn from the existing data using the location of the contract action, this is an unsatisfactory approach.

- Each military department, the U.S. Transportation Command, the Defense Logistics Agency, and the Defense Information Services Agency should

establish portfolio category councils to aid in efficient and effective contract execution and strategic sourcing decisions. Category councils should be established at a minimum for:

- contingency capability contracts valued at over \$100 million;
  - private security contracts;
  - inter- and intra-theater transportation and intra-theater supply chain management contracts;
  - training of foreign security forces;
  - personnel support contracts with a period of performance over 179 days;
  - theater communications contracts; and
  - professional services in direct support of a joint task force.
- Each military department, the U.S. Transportation Command, the Defense Logistics Agency, and the Defense Information Services Agency should assign a general/flag officer to conduct appropriate oversight over the expeditionary and contingency portfolios (consistent with Recommended Action 2-4).
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#### RECOMMENDED ACTION 4-3

**USD (AT&L) grant limited acquisition and contracting authority to the geographic combatant commands (GCCs) for contingency operations within their areas of responsibility.** This is intended to mean, for example, that contracting authority would remain at military department contracting command, but authority to administer task orders performed in theater could transition to the relevant combatant command or joint task force.

- Establish policies and procedures to delegate acquisition and contracting authority for theater support contracting and external support contracting performed in the combatant command's area of responsibility. Note that command staff must meet existing standards for acquisition authority (only the U.S. Transportation Command and U.S. Special Operations Command do now) or delegate that authority to a lead service agent. Delegation authority should include such considerations as size and expected duration of the contingency, significant triggering events, and availability of resources.
  - Direct commands to include transition of authority, contracting organization relationships, and related factors, in an Annex W (Operational Contract Support) to their operational plan through the appropriate deliberate or contingency planning process.
  - Assure full visibility and reporting to accompany this delegation of authority.
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**RECOMMENDED ACTION 4-4**

**Each military department and defense agency conduct realistic exercises and training that accounts for services contracting during contingency operations.**  
**The Secretary of Defense should:**

- Direct the military departments, the U.S. Transportation Command, the Defense Logistics Agency, and the Defense Information Services Agency to include provisions in external support contracts to permit contractor support to training and exercises.
  - Direct the geographic combatant commands to plan and resource, to include the participation of services contractors in exercises in representative roles similar to their expected roles in actual contingencies.
  - Direct the Defense Acquisition University to develop and conduct appropriate training for non-contracting members of joint task force staffs and contractor personnel to support the inclusion of realistic acquisition and supply chain management.
  - Direct the USD (AT&L) to monitor the Department's efforts to provide realistic, representative training for contracting and non-contracting personnel (including COTRs).
  - Direct each component to include performance reviews of training for contracting and non-contracting personnel (including CORs) in their contingency services portfolio category reviews.
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## Chapter 5. Final Thoughts

In past decades, enlisted personnel cut grass, peeled potatoes, and carried out most defense services. Today, with a smaller all-volunteer force, many of these services are now contracted out. This systemic change means the system must also change. Services acquisition makes up over 50 percent of all contracting, but has not had the attention or improvements needed to ensure effectiveness and efficiency.

The task force recognizes that, for the most part, the major commands and combatant commands are responsible for services contracting, but they need help from the USD (AT&L) with shared best practices, definitions, performance standards, and outcome metrics. Most importantly, these need to be communicated via tailored training and a strong network of strategic services sourcing executives and category councils.

In several ways, the Department has already stepped out to address these concerns. The military departments have appointed executives to oversee this critical function. The Office of Defense Procurement and Acquisition Policy has begun to implement independent management reviews for services acquisitions and has drafted a *Roadmap for the Acquisition of Services*. These are very positive steps. The use of improved data to track services spending is also a positive step, but needs additional definitions and standards for appropriate portfolios, and the ability to track expeditionary spending. It is not possible to manage funding for services without proper tracking tools.

With more than 50 percent of all defense acquisition funding in services contracting, it is critical to address both the Secretary's Affordability Initiative and to provide significantly improved support to the warfighter. Urgent actions and transition plans are needed to implement the four major recommendations made by the task force:

- Create new policies and processes for services contracting.
- Designate roles and responsibilities for appropriate leadership and organizations for services contracting.
- Strengthen the skills and capabilities of people involved in services contracting.
- Establish separate policies and processes to improve management and oversight of contingency contracting.

Finally, the task force emphasizes that contingency contracting in support of military operations occurs at a completely different pace, and that battlefield success depends on it.

## Appendix A. Congressional Oversight of Services Contracting

Excerpt from the Ike Skelton National Defense Authorization Act for Fiscal Year 2011.<sup>17</sup>

**SEC. 863. REQUIREMENTS FOR THE ACQUISITION OF SERVICES.**

- (a) ESTABLISHMENT OF REQUIREMENTS PROCESSES FOR THE ACQUISITION OF SERVICES.—The Secretary of Defense shall ensure that the military departments and Defense Agencies each establish a process for identifying, assessing, reviewing, and validating requirements for the acquisition of services.
- (b) OPERATIONAL REQUIREMENTS.—With regard to requirements for the acquisition of services in support of combatant commands and military operations, the Secretary shall ensure—
  - (1) that the Chief of Staff of the Army, the Chief of Naval Operations, the Chief of Staff of the Air Force, and the Commandant of the Marine Corps implement and bear chief responsibility for carrying out, within the Armed Force concerned, the process established pursuant to subsection (a) for such Armed Force; and
  - (2) that commanders of unified combatant commands and other officers identified or designated as joint qualified officers have an opportunity to participate in the process of each military department to provide input on joint requirements for the acquisition of services.
- (c) SUPPORTING REQUIREMENTS.—With regard to requirements for the acquisition of services not covered by subsection (b), the Secretary shall ensure that the secretaries of the military departments and the heads of the Defense Agencies implement and bear chief responsibility for carrying out, within the military department or Defense Agency concerned, the process established pursuant to subsection (a) for such military department or Defense Agency.
- (d) IMPLEMENTATION PLANS REQUIRED.—The Secretary shall ensure that an implementation plan is developed for each process established pursuant to subsection (a) that addresses, at a minimum, the following:
  - (1) The organization of such process.
  - (2) The level of command responsibility required for identifying, assessing, reviewing, and validating requirements for the acquisition of services in accordance with the requirements of this section and the categories established under section 2330(a)(1)(C) of title 10, United States Code.
  - (3) The composition of positions necessary to operate such process.
  - (4) The training required for personnel engaged in such process.
  - (5) The relationship between doctrine and such process.
  - (6) Methods of obtaining input on joint requirements for the acquisition of services.
  - (7) Procedures for coordinating with the acquisition process.
  - (8) Considerations relating to opportunities for strategic sourcing.
- (e) MATTERS REQUIRED IN IMPLEMENTATION PLAN.—Each plan required under subsection (d) shall provide for initial implementation of a process for identifying, assessing, reviewing, and validating requirements for the acquisition of services not later than one year after the date of the

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17. [Ike Skelton National Defense Authorization Act for Fiscal Year 2011](#), Public Law 111-383. (Link accessed March 2011.)

enactment of this Act and shall provide for full implementation of such process at the earliest date practicable.

(f) CONSISTENCY WITH JOINT GUIDANCE.—Whenever, at any time, guidance is issued by the Chairman of the Joint Chiefs of Staff relating to requirements for the acquisition of services in support of combatant commands and military operations, each process established pursuant to subsection (a) shall be revised in accordance with such joint guidance.

(g) DEFINITION.—The term “requirements for the acquisition of services” means objectives to be achieved through acquisitions primarily involving the procurement of services.

(h) REVIEW OF SUPPORTING REQUIREMENTS TO IDENTIFY SAVINGS.—The secretaries of the military departments and the heads of the Defense Agencies shall review and validate each requirement described in subsection (c) with an anticipated cost in excess of \$10,000,000 with the objective of identifying unneeded or low priority requirements that can be reduced or eliminated, with the savings transferred to higher priority objectives. Savings identified and transferred to higher priority objectives through review and revalidation under this subsection shall count toward the savings objectives established in the June 4, 2010, guidance of the Secretary of Defense on improved operational efficiencies and the annual reduction in funding for service support contractors required by the August 16, 2010, guidance of the Secretary of Defense on efficiency initiatives. As provided by the Secretary, cost avoidance shall not count toward these objectives.

(i) EXTENSION OF AUTHORITY.—Subsection (e) of section 834 of the National Defense Authorization Act for Fiscal Years 1990 and 1991 (15 U.S.C. 637 note) is amended by striking “September 30, 2010” and inserting “December 31, 2011”.

#### **SEC. 864. REVIEW OF DEFENSE ACQUISITION GUIDANCE.**

(a) REVIEW OF GUIDANCE.—The Secretary of Defense shall review the acquisition guidance of the Department of Defense, including, at a minimum, the guidance contained in Department of Defense Instruction 5000.02 entitled “Operation of the Defense Acquisition System”.

(b) MATTERS CONSIDERED.—The review performed under subsection (a) shall consider—

(1) the extent to which the acquisition of commercial goods and commodities, commercial and military unique services, and information technology should be addressed in Department of Defense Instruction 5000.02 and other guidance primarily relating to the acquisition of weapon systems, or should be addressed in separate instructions and guidance;

(2) whether long-term sustainment and energy efficiency of weapon systems is appropriately emphasized;

(3) whether appropriate mechanisms exist to communicate information relating to the mission needs of the Department of Defense to the industrial base in a way that allows the industrial base to make appropriate investments in infrastructure, capacity, and technology development to help meet such needs;

(4) the extent to which earned value management should be required on acquisitions not involving the acquisition of weapon systems and whether measures of quality and technical performance should be included in any earned value management system; and

(5) such other matters as the Secretary considers appropriate.

(c) REPORT.—Not later than 270 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report detailing any changes in the acquisition guidance of the Department of Defense identified during the review required by subsection (a), and any actions taken, or planned to be taken, to implement such changes.

## Appendix B. Regulations on Inherently Governmental Functions

**Federal Acquisition Regulations**  
**Subpart 7.5 - Inherently Governmental Functions<sup>18</sup>**

**7.503 Policy (Effective January 31, 2011)**

- (a) Contracts shall not be used for the performance of inherently governmental functions.
- (b) Agency decisions which determine whether a function is or is not an inherently governmental function may be reviewed and modified by appropriate Office of Management and Budget officials.
- (c) **The following is a list of examples of functions considered to be inherently governmental functions or which shall be treated as such.** This list is not all inclusive:
  - (1) The direct conduct of criminal investigations.
  - (2) The control of prosecutions and performance of adjudicatory functions other than those relating to arbitration or other methods of alternative dispute resolution.
  - (3) The command of military forces, especially the leadership of military personnel who are members of the combat, combat support, or combat service support role.
  - (4) The conduct of foreign relations and the determination of foreign policy.
  - (5) The determination of agency policy, such as determining the content and application of regulations, among other things.
  - (6) The determination of Federal program priorities for budget requests.
  - (7) The direction and control of Federal employees.
  - (8) The direction and control of intelligence and counter-intelligence operations.
  - (9) The selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment.
  - (10) The approval of position descriptions and performance standards for Federal employees.
  - (11) The determination of what Government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency).
  - (12) In Federal procurement activities with respect to prime contracts—
    - (i) Determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);
    - (ii) Participating as a voting member on any source selection boards;
    - (iii) Approving any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;

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18. Federal Acquisition Regulation. [Inherently Governmental Functions](#). Subpart 7.5. (Link accessed March 2011.)

- (iv) Awarding contracts;
  - (v) Administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);
  - (vi) Terminating contracts;
  - (vii) Determining whether contract costs are reasonable, allocable, and allowable; and
  - (viii) Participating as a voting member on performance evaluation boards.
  - (13) The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency responses to the administrative appeals of denials of Freedom of Information Act requests.
  - (14) The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs.
  - (15) The approval of Federal licensing actions and inspections.
  - (16) The determination of budget policy, guidance, and strategy.
  - (17) The collection, control, and disbursement of fees, royalties, duties, fines, taxes, and other public funds, unless authorized by statute, such as 31 U.S.C. 952 (relating to private collection contractors) and 31 U.S.C. 3718 (relating to private attorney collection services), but not including—
    - (i) Collection of fees, fines, penalties, costs, or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is easily calculated or predetermined and the funds collected can be easily controlled using standard case management techniques; and
    - (ii) Routine voucher and invoice examination.
  - (18) The control of the treasury accounts.
  - (19) The administration of public trusts.
  - (20) The drafting of Congressional testimony, responses to Congressional correspondence, or agency responses to audit reports from the Inspector General, the General Accounting Office, or other Federal audit entity.
- (d) The following is a list of examples of functions generally not considered to be inherently governmental functions.** However, certain services and actions that are not considered to be inherently governmental functions may approach being in that category because of the nature of the function, the manner in which the contractor performs the contract, or the manner in which the Government administers contractor performance. This list is not all inclusive:
- (1) Services that involve or relate to budget preparation, including workload modeling, fact finding, efficiency studies, and should-cost analyses, etc.
  - (2) Services that involve or relate to reorganization and planning activities.
  - (3) Services that involve or relate to analyses, feasibility studies, and strategy options to be used by agency personnel in developing policy.
  - (4) Services that involve or relate to the development of regulations.
  - (5) Services that involve or relate to the evaluation of another contractor's performance.
  - (6) Services in support of acquisition planning.
  - (7) Contractors providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors).
  - (8) Contractors providing technical evaluation of contract proposals.

- (9) Contractors providing assistance in the development of statements of work.
  - (10) Contractors providing support in preparing responses to Freedom of Information Act requests.
  - (11) Contractors working in any situation that permits or might permit them to gain access to confidential business information and/or any other sensitive information (other than situations covered by the National Industrial Security Program described in 4.402(b)).
  - (12) Contractors providing information regarding agency policies or regulations, such as attending conferences on behalf of an agency, conducting community relations campaigns, or conducting agency training courses.
  - (13) Contractors participating in any situation where it might be assumed that they are agency employees or representatives.
  - (14) Contractors participating as technical advisors to a source selection board or participating as voting or nonvoting members of a source evaluation board.
  - (15) Contractors serving as arbitrators or providing alternative methods of dispute resolution.
  - (16) Contractors constructing buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments.
  - (17) Contractors providing inspection services.
  - (18) Contractors providing legal advice and interpretations of regulations and statutes to Government officials.
  - (19) Contractors providing special non-law enforcement, security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details.
- (e) Agency implementation shall include procedures requiring the agency head or designated requirements official to provide the contracting officer, concurrent with transmittal of the statement of work (or any modification thereof), a written determination that none of the functions to be performed are inherently governmental. This assessment should place emphasis on the degree to which conditions and facts restrict the discretionary authority, decision-making responsibility, or accountability of Government officials using contractor services or work products. Disagreements regarding the determination will be resolved in accordance with agency procedures before issuance of a solicitation.
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**Defense Federal Acquisition Regulation Supplement (DFARS)**  
**Subpart 207.5—Inherently Governmental Functions<sup>19</sup>**

**207.503 Policy. (Revised January 10, 2008)**

- (e) The written determination required by FAR 7.503(e), that none of the functions to be performed by contract are inherently governmental—
    - (i) Shall be prepared using DOD Instruction 1100.22, Guidance for Determining Workforce Mix; and
    - (ii) Shall include a determination that none of the functions to be performed are exempt from private sector performance, as addressed in DOD Instruction 1100.22.
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19. Defense Federal Acquisition Regulation Supplement (DFARS). [Inherently Governmental Functions](#). Subpart 207.5. (Link accessed March 2011.)

(S-70) *Contracts for acquisition functions.*

- (1) In accordance with 10 U.S.C. 2383, the head of an agency may enter into a contract for performance of the acquisition functions closely associated with inherently governmental functions that are listed at FAR 7.503(d) only if—
  - (i) The contracting officer determines that appropriate military or civilian DOD personnel—
    - (A) Cannot reasonably be made available to perform the functions;
    - (B) Will oversee contractor performance of the contract; and
    - (C) Will perform all inherently governmental functions associated with the functions to be performed under the contract; and
  - (ii) The contracting officer ensures that the agency addresses any potential organizational conflict of interest of the contractor in the performance of the functions under the contract (see FAR Subpart 9.5).
- (2) See related information at PGI 207.5

**Procedures, Guidance, and Information (PGI)**  
**Subpart 207.5—Inherently Governmental Functions**

Section 804 of the National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375) limits contractor performance of acquisition functions closely associated with inherently Governmental functions.

## Appendix C. DOD Portfolio Analysis Strategy

Data for the following figures are taken from the Federal Procurement Data System and depict Department of Defense spending on contracted services in FY2009. They are arranged according to the six portfolio groups proposed in the November 23, 2010 memorandum, *Taxonomy for the Acquisition of Services*.<sup>20</sup> They are arranged according to six portfolio groups.

The six groups are:

- Knowledge-Based Services
- Equipment Related Services
- Electronics and Communications Services
- Facilities Related Services
- Medical Services
- Transportation Services

Two additional portfolio groups are also included in this appendix:

- Research and Development Services
- Construction Services

Note that the *Prime Contractors* and *Funded Contracts* columns are not additive.

The key for the type of contract under *Percent of Actions* and *Percent of Spend* is as follows

- |                                                                                     |                                                       |
|-------------------------------------------------------------------------------------|-------------------------------------------------------|
|  | <b>Cost and Cost Plus</b>                             |
|  | <b>Fixed Price</b>                                    |
|  | <b>Time and Materials</b>                             |
|  | <b>All Other (Combination, Labor, No Description)</b> |

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20. Office of Defense Procurement and Acquisition Policy. [\*Taxonomy for the Acquisition of Services\*](#). Memorandum, November 23, 2010. (Link accessed March 2011.)

## Knowledge-Based Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions					Percent of Spend				Number of Actions (K)	Funded Spend (TY\$ - B)
Engineering Management	1,419	3,136	39%	20%	23%	18%		34%	18%	33%	15%	23.5	18.5
Program Management	4,310	9,152	19%	53%	22%			32%	32%	29%		31.4	17.6
Logistics Management	348	836	22%	33%	32%			72%	14%			5.2	10.5
Management Support	511	813	73%					59%	26%			1.7	1.2
Administrative & Other Services	1,469	3,089	68%		20%			29%	55%			8.5	2.5
Professional Services	953	1,871	86%					63%	27%			3.5	0.8
Education & Training	1,662	3,901	90%					64%	19%			10.1	2.0
Total Knowledge Based Services	8,202	21,630	21%	50%	14%	17%		38%	26%	16%	20%	85.7	53.1

## Equipment Related Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions					Percent of Spend				Number of Actions (K)	Funded Spend (TY\$ - B)
Maintenance, Repair & Overhaul	2,859	5,850	15%	70%				37%	31%	21%		24.0	14.2
Equipment Modification	149	203	63%	24%				74%	18%			1.6	0.9
Installation of Equipment	287	345	90%					13%	70%			0.5	0.2
Quality Control	409	550	21%	61%	17%			15%				1.3	1.1
Tech Rep Services	208	338	19%	47%	22%			35%	32%	21%		1.6	1.7
Purchases & Leases	786	2,639	99%					99%				6.3	0.5
Salvage Services	84	122	41%	58%				81%		17%		0.6	0.1
Total Equipment Related Services	4,351	9,975	15%	72%				37%	31%	23%		35.9	18.6

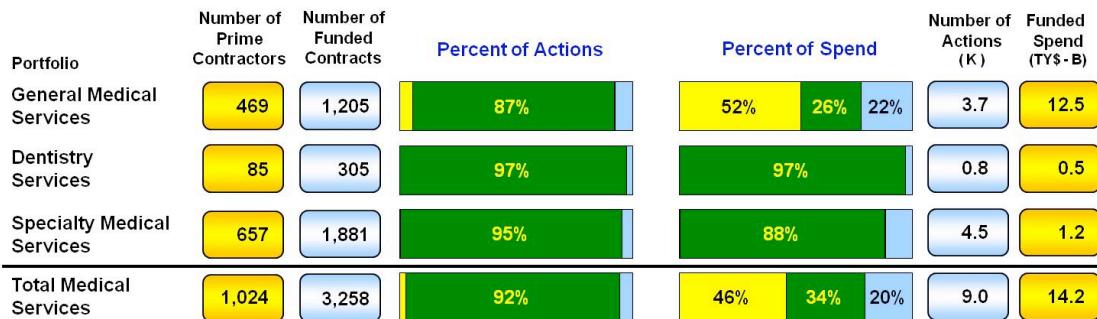
## Electronics and Communications Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions			Percent of Spend			Number of Actions (K)	Funded Spend (TY\$ - B)
	850	1,293	33%	37%	19%	27%	23%	31%	4.5	2.3
ADP Services	850	1,293	33%	37%	19%	27%	23%	31%	4.5	2.3
Telecom Services	2,407	6,615	85%			44%			45.5	12.5
Equipment Maintenance	2,285	4,063	41%	49%	1%	46%	31%	17%	17.4	4.7
Equipment Leases	168	396	94%			99%			0.7	0.1
Total Electronics & Communications Services	4,605	11,729	15%	72%	3%	23%	39%	28%	68.1	19.6

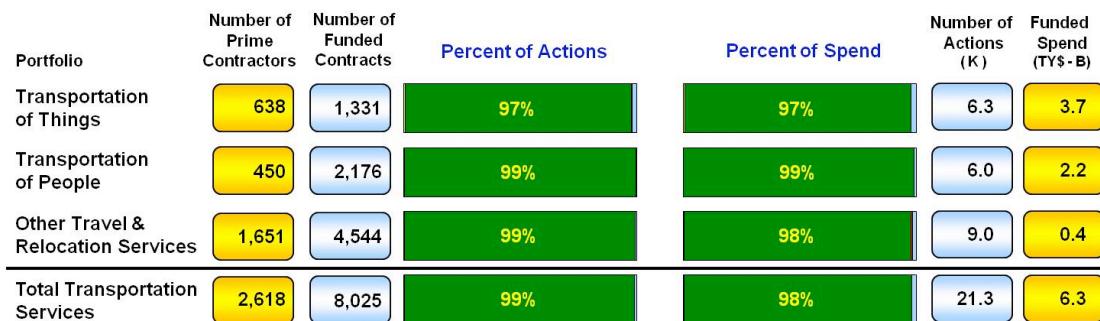
## Facilities Related Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions			Percent of Spend			Number of Actions (K)	Funded Spend (TY\$ - B)
	1,344	2,917	94%			89%			14.8	4.0
Architect/Engr Services	1,344	2,917	94%			89%			14.8	4.0
Operation of Gov't Owned Facilities	305	880	24%	57%	18%	26%	29%	43%	2.8	2.2
Machinery & Equipment Maintenance	3,271	6,358	91%			69%			10.7	1.1
Building & Plant Maintenance	4,521	11,270	98%			94%			39.9	12.2
Natural Resource Management	997	1,910	1%	85%	4%	45%	45%	1%	5.5	2.3
Utilities	528	1,154	97%			89%			12.4	1.5
Housekeeping & Social Services	4,699	12,496	95%			70%			51.2	6.6
Purchases & Leases	1,448	3,730	98%			85%			8.9	0.5
Total Facility Related Services	14,659	40,507	95%			79%			146.2	30.4

## Medical Services



## Transportation Services



## Research and Development Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions			Percent of Spend			Number of Actions (K)	Funded Spend (TY\$ - B)
Structure and Facilities	1,814	4,753	98%			95%			13.5	21.0
Conservation and Dev Facilities	1,396	3,107	98%			85%			6.7	7.6
Restoration Activities	234	458	95%			66%		32%	1.2	0.7
Total Construction Services	2,867	8,138	98%			92%			21.3	29.2

## Construction Services

Portfolio	Number of Prime Contractors	Number of Funded Contracts	Percent of Actions			Percent of Spend			Number of Actions (K)	Funded Spend (TY\$ - B)
Systems Development	1,127	2,584	64%		15%	18%			58%	34%
Operational Systems Development	459	888	56%		23%	16%			73%	18%
Technology Base	2,772	8,005	63%		29%	1%			75%	1%
Commercialization	137	221	60%		19%	16%			69%	18%
Total Research and Development Services	3,561	11,528	62%		24%	1%			68%	21%
									31.3	41.4

## Appendix D. Acquisition of Information Technology Services

Some recent guidance for acquisition of information technology.

### DOD Policies and Procedures for the Acquisition of Information Technology

The following recommendations were issued as part of the *Report of the Defense Science Board Task Force on the Department of Defense Policies and Procedures for the Acquisition of Information Technology* in March 2009.<sup>21</sup>

The Secretary of Defense should recognize that the current acquisition process for information technology is ineffective and Direct the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) and the Vice Chairman, Joint Chiefs of Staff, to develop new acquisition and requirements (capabilities) development processes for information technology systems.

The DOD Chief Information Officer (CIO) should actively exercise his or her authority to certify that all IT acquisitions are consistent with the Department's net-centric architecture.

- In the Services and agencies, the CIOs should also have strong authorities and responsibilities for system certification, compliance, applications development, and innovation.
- All CIOs should approve IT acquisition program manager training and certification and advise the personnel selection process.
- The DOD CIO, supported by CIOs in the Services and agencies, should be responsible for certifying that systems and capabilities added to the enterprise do not introduce avoidable vulnerabilities that can be exploited by adversaries.

All acquisition oversight of information technology should be consolidated under the USD (AT&L) by moving into that organization those elements of the DOD

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21. Defense Science Board. [\*Report of the Defense Science Board Task Force on the Department of Defense Policies and Procedures for the Acquisition of Information Technology\*](#). March 2009. (Link accessed March 2011.)

CIO and Business Transformation Agency responsible for IT acquisition oversight. The USD (AT&L) should:

- Aggressively delegate milestone decision authority commensurate with program risk.
- Consider a more effective management and oversight mechanism to ensure joint program stability and improved program outcomes.

The Secretary of Defense shall require that the Defense Acquisition Executive (USD (AT&L)) and the component acquisition executives have proven and relevant business experience in the appropriate areas of acquisition, product development, and management.

- The USD (AT&L) must work with component and agency acquisition executives to improve the capabilities and selection process for program executive officers and program managers.
- The USD (AT&L) shall direct the Defense Acquisition University, in coordination with the Information Resources Management College, to integrate the new acquisition model into their curriculum

## **Office of Management and Budget**

The following information technology acquisition and management strategy was issued by the Office of Management and Budget (OMB) on November 19, 2010.<sup>22</sup>

- Aligning the budget and acquisition process with the technology cycle. Between increasing budget flexibility and speeding up acquisitions, we're going to eliminate the structural disconnect between the government's process and the technology cycle. To start, OMB will work with Congress to identify a dozen pilot projects through which it can develop a framework for increased budget flexibility and greater oversight.
- Strengthening program management. The government will create a formal career track for professional program managers. In addition, OMB will approve IT projects only if they have an effective program management team hardwired into the agency's organizational structure.
- Streamlining governance and increasing accountability. The administration will revamp agency investment review boards, modeling them after OMB's

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22. Office of Management and Budget. [\*Information technology acquisition and management strategy\*](#). November 19, 2010. (Link accessed March 2011.)

TechStat reviews. This will bring senior executives to the table armed with the right information and expertise to provide meaningful oversight and drive interventions and decision making on specific projects.

- Increasing engagement with the IT community. OMB will launch a “myth busters” campaign to promote greater engagement with industry and remove barriers to communication, that are hurting productivity. OMB will develop mechanisms for sharing best practices and solutions between agencies and the IT community on a regular basis.
- Adopting light technology and shared solutions. The administration plans to reduce the government’s data centers footprint by 40 percent by 2015. In addition, a “cloud-first” policy will be required in the fiscal year 2012 budget process as the default for agency IT.

## Terms of Reference

The Terms of Reference for the task force is included on the following pages.

The task force addressed an additional question from Secretary Gates at the quarterly meeting of the Defense Science Board on February 25, 2010, asking *what services should be contracted-out versus performed in-house?* Thus, the task force considered two additional issues:

- What services to contract out
- How best to contract for services





ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

DEC 04 2009

MEMORANDUM FOR CHAIRMAN, DEFENSE SCIENCE BOARD

SUBJECT: Terms of Reference – Defense Science Board (DSB) Task Force (TF) on Improvements in Services Contracting

In accordance with section 802 of the National Defense Authorization Act for FY 2010 (H.R. 2647, 211-212), the DSB is directed to create a TF to conduct an independent assessment of improvements in the procurement and oversight of services by the Department of Defense. The assessment shall include the following areas of interest:

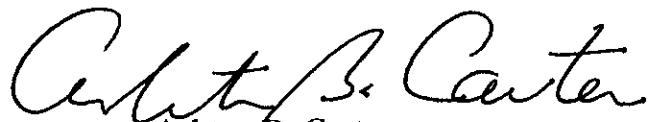
- (1) An assessment of the quality and completeness of guidance relating to the procurement of services, including implementation of statutory and regulatory authorities and requirements.
- (2) A determination of the extent to which best practices are being developed for setting requirements and developing statements of work.
- (3) An assessment of the contracting approaches and contract types used for the procurement of services and whether such contracting approaches and contract types best serve the interests of the Department of Defense.
- (4) A determination of whether effective standards to measure performance have been developed.
- (5) An assessment of the effectiveness of peer reviews within the Department of Defense of contracts for services and whether such reviews are being conducted at the appropriate dollar threshold.
- (6) An assessment of the management structure for the procurement of services, including how the Military Departments and Defense Agencies have implemented of title 10, United States Code, section 2330.
- (7) A determination of whether the performance savings goals required by section 802 of the National Defense Authorization Act for FY 2002 (10 U.S.C. 2330 note) are being achieved.
- (8) An assessment of the effectiveness of the Acquisition Center of Excellence for Services established pursuant to section 1431(b) of the Services Acquisition Reform Act of 2003 (title XIV of Public Law 108-136; 117 Stat. 1671; 41 U.S.C. 405 note) and the feasibility of creating similar centers of excellence in the Military Departments.

(9) An assessment of the quality and sufficiency of the acquisition workforce for the procurement and oversight of services.

A final report on the results of the assessment shall be submitted to the congressional defense committees upon completion.

This TF will be sponsored by me as the Under Secretary of Defense for Acquisition, Technology and Logistics. Dr. Jacques Gansler will chair the TF. Mr. John Tenaglia (DPAP) will serve as Executive Secretary. Major Michael Warner, USAF, will serve as the DSB Secretariat Representative.

The TF will operate in accordance with the provisions of P.L. 92-463, the “Federal Advisory Committee Act,” and DoD Directive 5105.4, the “DoD Federal Advisory Committee Management program.” It is not anticipated that this TF will need to go into any “particular matters” within the meaning of title 18, United States Code, section 208, nor will it cause any member to be placed in the position of action as a procurement official.



Ashton B. Carter

# Task Force Membership

Name	Affiliation
<b>Chair</b>	
HON Jacques S Gansler	University of Maryland
<b>Vice Chairs</b>	
GEN Paul Kern, (U.S. Army, retired)	Private Consultant
Mr Philip Odeen (Defense Business Board)	Private Consultant
<b>Executive Secretary</b>	
Mr John Tenaglia	Office of Defense Procurement and Acquisition Policy
<b>Members</b>	
Mr Richard Dunn	Private Consultant
Dr Ronald Kerber	Private Consultant
Ms Deidre Lee	Fluor Corporation
Mr William Lucyshyn	University of Maryland
HON Judith A Miller	Private Consultant
RADM David Oliver (U.S. Navy, retired)	EADS North America
Maj Gen Darryl Scott (U.S. Air Force, retired)	Boeing Company
<b>DSB Representatives</b>	
Mr Brian Hughes	Office of the Under Secretary of Defense for Acquisition, Technology and Logistics
Maj Michael Warner	Office of the Under Secretary of Defense for Acquisition, Technology and Logistics
<b>Staff</b>	
Ms Kelly Frere	Strategic Analysis, Inc.
Ms Teresa Kidwell	Strategic Analysis, Inc.
Dr Toni Marechaux	Strategic Analysis, Inc.



## Presentations to the Task Force

Name	Organization
<b>May 24, 2010</b>	
Mr Edward Harrington	Deputy Assistant Secretary of the Army (Procurement)
Mr Shay D. Assad	Office of Defense Procurement and Acquisition Policy
Mr Elliott B. Branch	Acquisition and Logistics Management, Office of the Assistant Secretary of the Navy (Research, Development and Acquisition)
<b>June 23–24, 2010</b>	
Ms Diann McCoy	Acquisition Solutions, Inc
Mr Jeffrey Parsons	U.S. Army Contracting Command
Mr David Berteau	Center for Strategic and International Studies
Mr Stan Soloway	Professional Services Council
Mr Terry Raney and Mr Steven Weill	CACI
Ms Joseph Schneider	JSA Partners, Inc
<b>July 28–29, 2010</b>	
Mr Andrew Hunter	House Armed Services Committee
Brig Gen Wendy Masiello	Program Executive Office for Combat and Mission Support, U.S. Air Force
Mr Edward Elgart	U.S. Army Communications Electronics Command
CDR Mark Runstrom, U.S. Navy	Operational Contract Support, Joint Staff J-4
Mr Peter Levine	Senate Armed Services Committee
Mr James Sheaffer	CSC
Mr Brad Smith and Ms Lindsay Samora	Strategic Analysis, Inc
Ms Kimberly Rupert	SAIC

Name	Organization
<b>September 22–23, 2010</b>	
Mr Robert Jones	Caterpillar Logistics Services, Inc
Ms Debra Scheider	National Reconnaissance Office
Ms Mary Margaret Evans	Insitu, Inc
Mr George Mitchell	Sikorsky Helicopter
COL Nello Tortora	U.S. Army Engineering and Support Center, Huntsville
Mr Richard Gross	Boeing Company
Mr Lyle Eesley	Defense Acquisition University
<b>October 29, 2010</b>	
Mr David Berteau	Center for Strategic and International Studies
Mr William Greenwalt and Mr Louis Kratz	Lockheed Martin Corporation
BG Thomas Horlander	U.S. Army Installation and Management Command
Mr Stuart Hazlett	Office of Defense Procurement and Acquisition Policy
<b>November 18–19, 2010</b>	
Mr Douglas Horn and Ms Ella Studer	KBR

# Glossary

ADP	automatic data processing
CAD/CAM	computer-aided design/computer-aided manufacturing
C3AI	Central Command's Contracting Center Acquisition Instruction
CC	category council
CIO	Chief Information Officer
CO	commanding officer
COR	contracting officer's representative
COTR	contracting officer's technical representative
DAWIA	Defense Acquisition Workforce Improvement Act
DFARS	Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
DPAP	Defense Procurement and Acquisition Policy
DSB	Defense Science Board
ECC	Expeditionary Contracting Command (Army)
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
GAO	Government Accountability Office
GCC	geographic combatant command
IDIQ	indefinite delivery/indefinite quantity
IMCOM	Installation Management Command (Army)
IT	information technology
MAIS	major automated information system
MDAPS	major defense acquisition programs
MILCON	military construction
OCI	organizational conflict of interest
OMB	Office of Management and Budget
PFI	private finance initiative
R&D	research and development
SIECMP	Services and Infrastructure Enterprise Contract Management Program
SIGIR	Special Inspector General for Iraq Reconstruction
SLA	service level agreement
SSO	strategic sourcing office
SSTR	stability, security, transition, and reconstruction
U.S.C.	United States Code
USD (AT&L)	Under Secretary of Defense (Acquisition, Technology, and Logistics)